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Enabling poor rural people
to overcome poverty

Draft approach paper on the corporate-level evaluation on efficiency

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**Document of the
International Fund for Agricultural Development**

Corporate-level Evaluation on Efficiency

Draft Approach Paper

**24 February 2011
Office of Evaluation**

Corporate-level Evaluation on Efficiency

Draft Approach Paper

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Abbreviations and Acronyms

ARRI	Annual Report on Results and Impact of IFAD Operations
CBA	cost-benefit analysis
CLP	core learning partnership
IEE	Independent External Evaluation of IFAD
IOE	IFAD Office of Evaluation
PMD	Programme Management Department
PMU	project management unit

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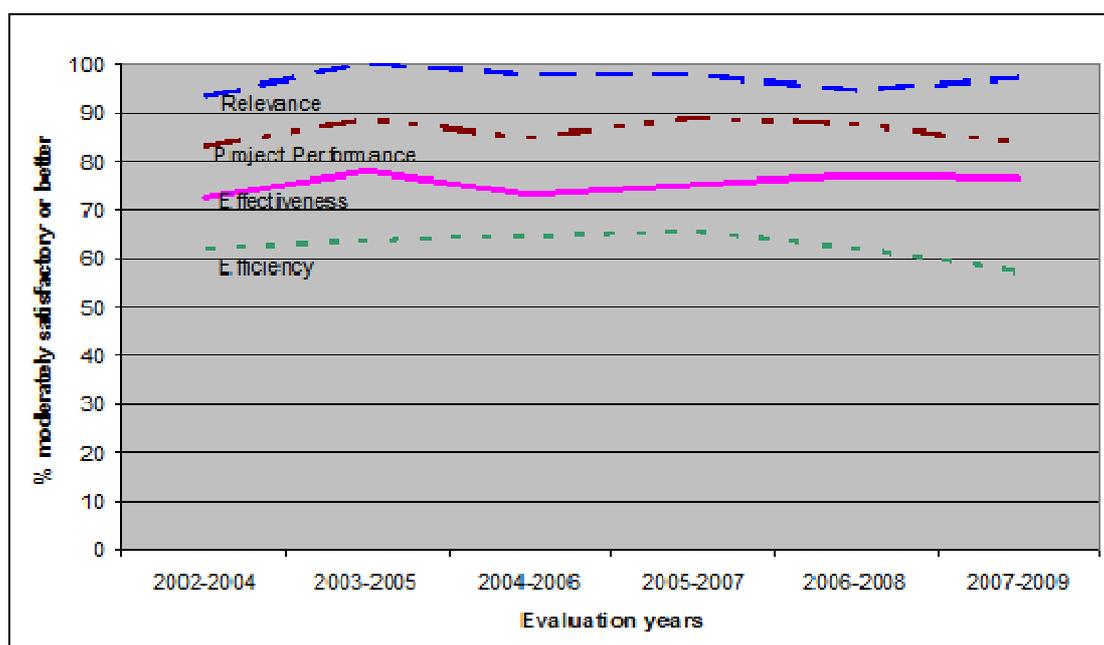
I. BACKGROUND AND CONTEXT

A. Background

1. While approving the 2011 evaluation work programme in its December 2010 session, the Executive Board requested the IFAD Office of Evaluation (IOE) to conduct a corporate-level evaluation on efficiency in 2011-2012.

2. **Project efficiency.** The performance of IFAD-funded projects in terms of efficiency¹ has been assessed for quite some time, and reported in evaluation reports prepared since 2002² including the Annual Report on Results and Impact of IFAD Operations (ARRI). Efficiency of IFAD operations has consistently received the lowest ratings in evaluations by IOE. In fact, the 2010 ARRI reveals that only 42 per cent of IFAD-funded projects were moderately satisfactory, 15 per cent satisfactory and none highly satisfactory in the period 2007-2009. This implies that 43 per cent of the projects approved are moderately unsatisfactory or worse. The below chart shows the three-year moving averages of project performance in terms of efficiency since 2002.

The Performance of IFAD-financed Operations: three-year moving averages



3. The performance of IFAD-funded projects in terms of efficiency is relatively low compared to performance in other evaluation criteria (e.g., relevance, effectiveness, etc.). It is also well below the 2012 target approved by the Board in September 2009 (i.e., 75 per cent of the projects would be moderately satisfactory or better for efficiency). The 2010 Report on IFAD's Development Effectiveness produced by the Fund's Management reveals a broadly similar picture about the efficiency of IFAD-funded operations.

¹ See paragraph 12 for definition of efficiency of IFAD-funded projects.

² This is the year in which IOE introduced a systematic methodology based on internationally recognized evaluation criteria (including efficiency), applied in all evaluations done by the Division.

4. The IFAD Independent External Evaluation (IEE, 2005) found that only 45 per cent of the projects evaluated were moderately satisfactory or better in terms of efficiency. The IEE also called attention to a number of key IFAD corporate business processes,³ such as loan administration, project life cycle management, human resources management, and knowledge management, all of which impinge on the efficiency of IFAD-funded projects.

5. **The 2010 ARRI Issues Paper.** In light of the relatively weak performance of IFAD-funded operations in terms of efficiency, in December 2009 the Board decided that the 2010 ARRI should focus exclusively on efficiency as the only learning theme in the context of the 2010 ARRI. In this regard, IOE prepared an Issues Paper⁴ on the topic, which served as the main background document for an in-house learning workshop on efficiency, organized last year with the IFAD Management and staff. The main elements in the Issues Paper and the outcome of the learning workshop (see below box) were used in preparing a dedicated chapter on efficiency that was included in the 2010 ARRI.⁵

Some Key Factors that Contribute to Project Efficiency

Factors that contribute to efficiency

- Clear objectives; appropriate, simple and focused designs; high quality partners and implementing agencies; effective project management including well-functioning monitoring and evaluation; rapid decision-making; and good administration.
- Wider community participation in small infrastructure development and their operation and maintenance can lead to lower costs as compared to infrastructure constructed only by contractors.
- The location of project management units (PMUs) within existing government structures contributed to efficiency. In other cases, such as reported in the Mozambique CPE, separate dedicated PMUs were more efficient than projects that were fully integrated within national institutions.
- Using competitive bidding processes to identify contractors for project service delivery, instead of having inter-ministerial committees lead the selection can have favourable effects on project efficiency.
- Choice of partner institutions and the overall institutional arrangements are another critical factor.
- Direct supervision and implementation support, and country presence.

Factors that contribute to inefficiency

- Projects with multiple components, including wide geographic coverage have contributed to higher costs.
- Delayed recruitment and rapid staff turnover within PMUs.
- Projects that are ‘under-designed’ at entry can lead to higher costs.
- Cofinancing can add to complexity in implementation and delays especially, for example, if procurement systems are not harmonized upfront.

6. Among other points, workshop participants overwhelmingly underlined the importance for IFAD to study more in detail institutional efficiency issues. In this regard, participants noted the need

³ A ‘corporate business process’ is a collection of related, structured activities or tasks that produce a specific service or product for a particular customer. It can also be considered a series of logically related activities or tasks performed to produce a defined set of results.

⁴ The Issues Paper may be seen at: www.ifad.org/evaluation/arri/issues/2010/efficiency.pdf.

⁵ The 2010 ARRI may be seen at: <http://www.ifad.org/evaluation/arri/2010/arri.pdf>.

for gaining a thorough understanding of the opportunities and challenges related to corporate business processes that affect overall institutional efficiency⁶ but also impinge on project-level efficiency.

7. A review of the past ARRIIs (and the underlying evaluation reports) point to the challenges confronted at IFAD in assessing project efficiency. Early independent and self-evaluation reports point to uneven coverage of efficiency in evaluations. Each report, including the most recent ones, note the difficulty of assessing efficiency, citing reasons such as limited data availability, the inherent complexity of assessing non-physical outputs, as well as a lack of clarity among staff and consultants as to the concept of efficiency in general.

8. **Institutional efficiency.** There have been some efforts in the past that were aimed specifically at improving institutional efficiency since the mid-1990s. In particular, based on the recommendation of the Executive Board, at its session in 2000, the Governing Council adopted the Process Re-engineering Programme. The aim of the Programme was to “help develop operational structures in IFAD that reflect major efficiency gains in its work processes”. The Process Re-engineering Programme⁷ was to be implemented between 2000 and 2005. A total of US\$26 million was allocated by the Board through capital budget expenditure⁸ for the Programme’s implementation. In addition, approximately 64 person/years of IFAD staff time and 88 person/years of consultants’ time were budgeted for the purpose. The identified areas of intervention of the Programme were financial resources management, human resources management, knowledge management, information technology management, institutional governance, external relationship management, institutional services management, and programme development management.

9. IFAD’s Action Plan for Improving its Development Effectiveness (approved by the Board in December 2005) was mostly focused on improving results, even though it did include provisions for improving institutions efficiency, especially by promoting human resources reform. A total of US\$9.5 million was allocated towards its implementation in 2006-2007, which were taken from the savings of the original budget allocation towards the Process Re-engineering Programme.

10. Institutional efficiency was explicitly reflected in the Board’s decision in 2005 to introduce an institutional efficiency ratio - the percentage of IFAD’s annual administrative budget in relation to its programme of work of loans and grants. It was decided that the percentage should not exceed 17.1 per cent, and IFAD was required to work towards reducing the ratio over time with a target of 13.5 per cent by 2012. The efficiency ratio in 2010 stood at 16.5 per cent, and at 12.6 per cent using a broader measure of efficiency encompassing external resources (e.g., from the Global Environment Facility) directly managed and supervised by IFAD with associated management fees for such resources.

11. In light of the prevailing global economic and financial crisis, IFAD member states and the Management alike are increasingly interested in ensuring that the Fund understands better and improves its overall institutional efficiency. In fact, some Board members have recently questioned whether the indicator adopted in 2005 (see paragraph 10 above) is appropriate, and have called for a wider reflection on alternative indicators and approaches that can provide a more accurate appreciation of IFAD’s institutional efficiency. Among other reasons, this is because the aforementioned institutional efficiency ratio only provides an account of planned administrative budgets in relation to the planned programme of work of loans and grants. Alternative indicators, such as for example, the actual administrative costs over actual disbursements may be more illustrative of the Fund’s institutional efficiency. In sum, it is widely recognized by both IFAD member states and the

⁶ See paragraph 13 for definition of institutional efficiency.

⁷ The Process Re-engineering Programme was renamed as the Strategic Change Programme in September 2001, but retained broadly the same objective even though with a greater emphasis on linking the renewal of processes with the then Strategic Framework. The aim of the Strategic Change Programme was to achieve changes in the organization that would allow IFAD to become more efficient and effective in delivering its vision.

⁸ See document EB 99/68/R.8. It may be downloaded at <http://www.ifad.org/gbdocs/eb/68/e/EB-99-68-R-8.pdf>.

Management that institutional efficiency is indeed one of the most critical issues the Fund has to address in the near future.

B. Definitions

12. **Project efficiency.** The efficiency of IFAD-funded projects can be defined as *getting the most out of the resources used*. The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) defines efficiency as ‘*a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to result*’. In its evaluation manual,⁹ IOE has adopted the same definition of project efficiency as used by the OECD/DAC, which is also used across the multilateral development banks in their evaluations.

13. **Institutional efficiency.** The concept of institutional efficiency has not been explicitly defined in IFAD, except in the ratio formulated by the Board in 2005. There is broad agreement in the development community that low administrative costs relative to the volume and quality of services delivered are a sign of institutional efficiency and, conversely, that high administrative cost as a percentage of resources dedicated to development activities/operations are a sign of inefficiency. This highlights the usefulness of benchmarking within IFAD, that is, of comparing unit costs for the delivery of services across operational units (after taking account of the differential unit costs for travel to borrowing countries). Comparisons across institutions after taking account of sector difference are also valuable, although it is notoriously difficult to achieve comparability due to the “apples and oranges” dilemma (i.e., the frequent “we are different” claim). Nevertheless, an indicator such as the ratio selected by the IFAD Board - the percentage of IFAD’s annual administrative budget in relation to its programme of work - is a good place to start.

14. Institutional efficiency has commanded more attention at IFAD in recent years:

- The Strategic Framework 2007-2010 focused specifically on “raising efficiency”. It aimed at: “maximizing the proportion of total administrative expenditures dedicated to development operations”; seeking cost savings by benchmarking process costs with comparable organizations; exploring opportunities for outsourcing and sharing services with other Rome-based organizations; and freeing up resources by closing non-performing loans and grants.
- The Medium-Term Plan 2010-2012¹⁰ proposed the use of zero-based budgeting to identify economies of scale, efficiencies and savings. It emphasized the importance of the Strategic Workforce Plan toward “improving IFAD’s efficiency and value for money”.
- The proposed Strategic Framework 2011-2015 amplifies this focus by stressing the importance of “devoting an increasing share of its resources to programs and projects and improving the efficiency of its business processes”. It added the element of “better use of IT in operations and in internal business processes” as means to this end.
- The Managing for Development Results Framework also emphasized “maximizing the share of budgetary resources dedicated to operational activities” by ensuring that IFAD’s human and financial resources are used in the most efficient way possible to achieve its mandate.

15. The average unit cost of a high level staff year is largely driven by salary, benefits and travel policies along with demographic factors. Addressing the detailed cost dimensions of these structural policies and their implications for attracting and retaining high quality staff lies beyond the scope of this evaluation as it would require a very complex benchmarking exercise. This said, broad brush

⁹ The IOE evaluation manual may be seen at: www.ifad.org/evaluation/process_methodology/doc/manual.pdf

¹⁰ The Medium-Term Plan, in turn, sets out a rolling three-year corporate work plan and describes how IFAD generates outcomes to accomplish its strategic objectives of rural poverty reduction and food security.

comparisons of unit costs with similarly situated institutions will be attempted and use will be made of IFAD-wide staff surveys (2006 and 2008) that point to weaknesses related to human resources policies and practices that may have an adverse impact on institutional efficiency. A more recent Staff Survey, undertaken in 2010, still being analyzed, will serve as a useful input into the evaluation. The Update on Change and Reform Implementation as well as the Progress Report on Human Resources Reform presented to the Board in December 2010 outlined a series of human resources changes to strengthen capacity, work environment and performance management together with measures to seek other institutional efficiencies in operations and support functions that the evaluation will also consider.

16. However, the question remains as to how to define institutional efficiency. For clarity and to structure this evaluation, the concept of institutional efficiency will distinguish between two major dimensions:

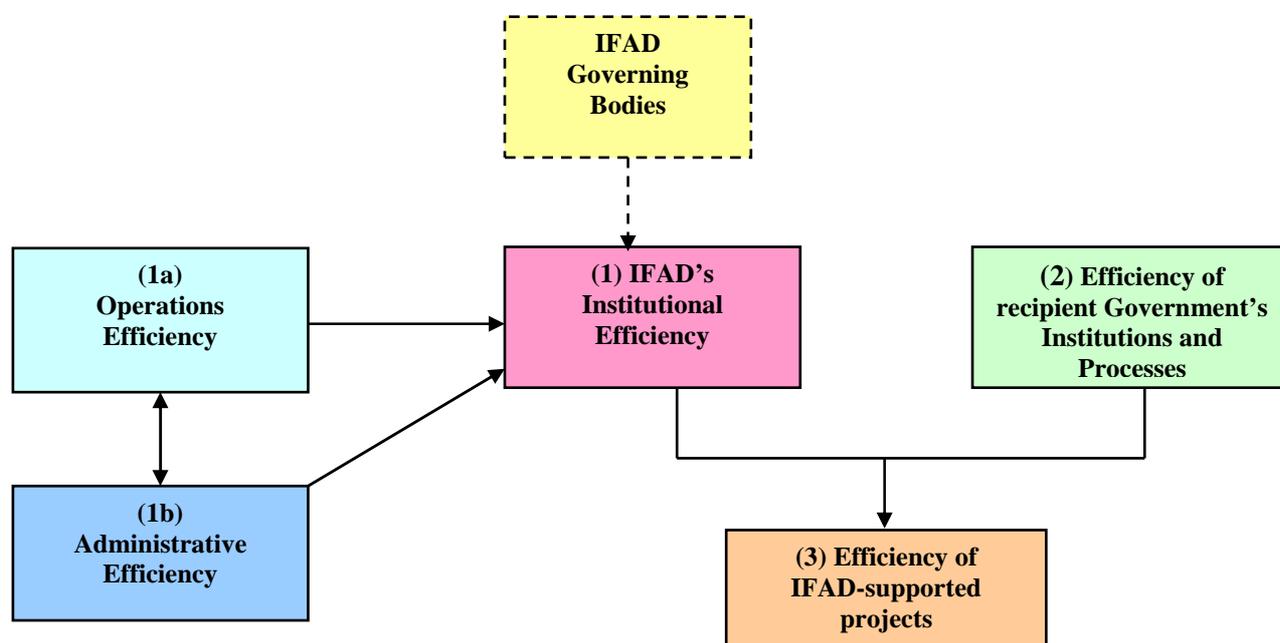
- (i) Institutional efficiency as it relates to “operations” - processing of country strategies and projects and other operational outputs - referred to hereafter as “**operations efficiency**”, which is driven by the operating model by which IFAD delivers on its core mandate. Essentially, this is equivalent to the efficiency of the Programme Management Department, its divisions, and country offices.
- (ii) Institutional efficiency as it relates to all other corporate business processes - referred to hereafter as “**administrative efficiency**”, which relates to the cost of each corporate business process as a proportion of total administrative costs and US\$ transferred to beneficiaries, in comparison with benchmarks or standard metrics. So, for example, this will include corporate business processes such as management decision-making and financial and administrative controls.

17. There is a third factor – beyond operations and administrative efficiency – that affects IFAD’s institutional efficiency. This relates to the overall architecture and functioning of the Fund’s governing bodies, including the Governing Council, the replenishment process, the Executive Board and its sub-committees and working groups, as well as the periodic interactions with the List Convenors and Friends. For example, the Management and staff devote financial resources and a sizeable amount of time in preparing documents and organizing meetings of the various governing bodies. It would therefore be appropriate for this evaluation to assess the Governing Bodies architecture in a holistic manner and make suggestions for introducing, as needed, any structural or process changes that may contribute to improving IFAD’s overall institutional efficiency.

18. Finally, the project efficiency ratings secured from evaluations will be complemented by budget analyses through benchmarking of administrative costs across the regional divisions of the Programme Management Department. This will help identify good and poor practices in operational resource management. External benchmarking on the other hand is particularly complex and elusive because of the “uniqueness” of each organization and the idiosyncratic accounting of costs. On the other hand, good practices in budget and personnel management will be sought among comparator agencies and trends in efficiency within IFAD and across organizations will be examined.

C. Relationship between the various dimensions of efficiency

19. The following figure aims to show in a visual manner the relationships between the various dimensions of efficiency, including the importance of the governing bodies architecture and functioning as one of the key determinants of IFAD's wider institutional efficiency.



D. What do we know from other organizations?

20. The 2010 ARRI Issues Paper also aimed to capture key experiences and concerns of other development organizations with regard to both project-level and institutional efficiency. Some of the findings are reproduced here below.

21. **Project efficiency.** A number of reports from other agencies have identified weaknesses in the way project efficiency is assessed. An Inter-American Development Bank review of country strategies found that the absence of a clear definition of the concept of efficiency made its usage 'uninformative'. A review of 25 United Nations Development Programme evaluations found that in 40 per cent there was no efficiency assessment, and in a further 40 per cent the assessment was rated as poor or very poor. A review of 34 Swedish International Development Cooperation Agency evaluations concluded that only 21 per cent considered efficiency sufficiently. It commented as follows: ...very few provided a systematic assessment of the value of the benefits (outputs, outcomes, impacts) of the evaluated intervention in relation to the costs of producing them. The fact that questions about efficiency are technically demanding is probably one of the main reasons for the lack of competent efficiency assessments in the sample reports. Assessments of costs in relation to outcomes or impacts, which tend to be more complex, are less common.

22. There has been a more general decline in the use of cost-benefit analysis (CBA) in both appraisals and evaluation. A recent (2010) World Bank study¹¹ has found that the percentage of investment operations that contain an estimate of the economic return has declined from nearly 70 per cent in the 1970s to approximately 30 per cent in the early 2000s. The World Bank Annual Review of Development Effectiveness (2009) commented that economic CBA had become a 'dormant subject'. An Inter-American Development Bank review found that only 8 per cent of projects with CBA

¹¹ This report may be seen at www.worldbank.org/oed.

achieved a high score for the quality of the economic analysis. While part of this decline in the priority attached to CBA may be traced to changes in the type of aid, this only explains part of the decline. The evaluation was review the extent to which CBA is used in IFAD for assessing project efficiency and reflect on the opportunities and challenges offered by this tool.

23. Unsurprisingly, this weak focus on efficiency is reflected in the very limited treatment in the evaluation literature. While all international financial institutions use efficiency as one of the main OECD/DAC evaluation criteria, there is very little published data on project efficiency. Data has only been found for the Asian Development Bank (59 per cent efficient or highly efficient) and the African Development Bank (50 per cent moderately efficient or better).

24. There is one further issue that deserves due attention - something which is only marginally covered in either IFAD documents or by other organizations - namely, the efficiency of developing partner countries' own capacities, systems and procedures related to development planning, resource allocation, project implementation, monitoring and evaluation and reporting. This is extremely important and has an important bearing on the efficiency of operations funded by multilateral and bilateral aid organizations.

25. Finally, it is worth noting that that the evaluation division of the German Federal Ministry for Economic Cooperation and Development has recently completed a study on tools and methods for evaluating the efficiency of development interventions.¹² It includes a catalogue of 17 methods that can be used for assessing aid efficiency including econometric methods, cost benefit analysis, expert judgement, benchmarking of unit costs, and others. The evaluation will examine this study in detail, with the aim of identifying techniques and approaches that may be pertinent in the IFAD context.

26. **Institutional efficiency.** IFAD's institutional efficiency also needs, to the extent possible, to be assessed against the backdrop of how other comparable development organizations fare on efficiency grounds. However, benchmarking IFAD against other international financial institutions or development agencies on efficiency is fraught with problems. The few attempts to date have generated controversial results,¹³ because they concluded that IFAD was relatively inefficient compared with bilateral agencies and other international financial institutions, but better than most UN agencies. The problem with this and other external benchmarking is the difficulty of comparing like with like. Agencies account for administrative costs in different ways, and it is difficult to allow, for example, for the diseconomies of scale encountered by IFAD compared with other international financial institutions and the additional costs imposed by its particular mandate and its status as a specialized agency of the United Nations. Most efforts that present comparative data on performance across development organizations (e.g., the 2010 Multilateral Organisation Performance Assessment Network, which for the first time included IFAD,¹⁴ and the recently completed Quality of Official Development Assistance by the Centre for Global Development¹⁵) focus primarily on aid effectiveness measures and with relatively limited attention to institutional efficiency measures.

27. Also, it should be recalled that the Fund was established primarily as an institution to provide financing for projects designed by other institutions. It was not permitted by the Agreement Establishing IFAD to undertake direct supervision, nor was it expected to have country presence or get involved in policy dialogue. However, in recent years, there has been a radical shift in its operating model, which has increasingly established IFAD as a full-fledged development agency that finances investment projects and programmes, conducts its own supervision, is involved in policy processes, and has country presence in numerous member states. The recent changes imply a steep learning curve for the institution and resultant one-time 'entry costs'. These and other factors need to be considered in any benchmarking of IFAD's institutional efficiency with other multilateral or bilateral aid agencies.

¹² See report by Markus Palenberg (December 2010).

¹³ For example, see *Where Does the Money Go? Best and Worst Practices in Foreign Aid*. Easterly, W. and Pfütze, T. (2008). *Fixing Failed Foreign Aid: Can Agency Practices Improve?* Williamson, C. (p. 13).

¹⁴ See 2010 MOPAN report at <http://www.mopanonline.org>.

¹⁵ By Nancy Birdsall and Homi Kharas, October 2010.

28. Most of the discussion of efficiency in annual reports of other organizations relates to institutional efficiency, with the ratio between administrative expenses and disbursements or approvals, and improvements in this over time, seen as a key indicator. OECD/DAC Peer Reviews highlight the institutional efficiency measures taken by bilateral agencies in recent years. A common approach is to reduce administrative costs; implement a smaller number of larger projects; shift to programme and budget support; concentrate on a smaller number of countries; and relocate all or part of headquarters staff to a cheaper location. While not focusing on efficiency directly, the net effect of these changes - together with the increased focus on development results and the Paris/Accra agendas - would be to improve the institutional efficiency of the agencies concerned.

E. Conclusion

29. The discussion above shows that IFAD has been addressing “project efficiency” in its independent and self-evaluation reports and in the ARRIIs for quite some time. While there is a reasonable understanding of IFAD’s performance in this area as well as the many factors that contribute positively or negatively to project efficiency, a deeper analysis would be beneficial. However, there has been far less done to assess and understand institutional efficiency. Accordingly, it is proposed that a significant level of effort of this evaluation be devoted to evaluating IFAD’s institutional efficiency - operations efficiency and administrative efficiency including the governing bodies architecture - taking account of how this concept has evolved/expanded in recent years.

30. With respect to project efficiency, there is some lack of clarity around the concept and its application, and there appears to have been little focus on whether and how efficiency is addressed by IFAD staff in the design of projects and their implementation. The experience at comparable organizations indicates significant differences in how project efficiency is assessed. Accordingly, it is proposed that with respect to project efficiency, the evaluation addresses three aspects: (i) review the questions and approaches for evaluating project efficiency in IFAD, learning also from comparable organizations; (ii) assessment of the understanding and attention by staff of project efficiency, including a look at how staff are taking into consideration IOE recommendations for improving the same; and (iii) analyze the efficiency of recipient government’s institutions and processes, which is an important contributor to the efficiency of IFAD-financed projects together with IFAD’s own institutional efficiency.

31. Finally, it is important to underline that in addition to being demanding and complex, this evaluation presents considerable methodological challenges. This is exacerbated by the fact that it is difficult to find a similar previous evaluation carried out by another development organisation that could be used as a benchmark. In addition, the complexities related to the collection of data and information – especially regarding budget use and transactions costs in borrowing countries – cannot be underestimated. As such, serious efforts will be invested in the evaluation’s inception phase (see paragraph 37 below), towards further developing the methodology, process, and instruments for data collection that will enable the evaluators to fulfil the evaluation objectives in a satisfactory and timely manner. The discussion of this draft approach paper with both the IFAD management and staff as well as the Evaluation Committee are also important steps in this process.

II. OBJECTIVES OF THE EVALUATION

32. The evaluation’s main objectives will be to assess:

- (i) operations and administrative efficiency, and determine the main factors that affect IFAD’s institutional efficiency;
- (ii) the efficiency of IFAD governing bodies as it relates to the Fund’s overall institutional efficiency;
- (iii) the efficiency of recipient country government’s institutions and processes that affect the efficiency of IFAD-supported projects; and

- (iv) how the efficiency of IFAD as well as the recipient government's institutions and processes affects project efficiency including the proximate causes for good or less good performance; and develop efficiency indicators, approaches and requirements for better assessing project level and IFAD's institutional efficiency.
- (v) The evaluation's fifth objectives will be to develop recommendations to improve all four dimensions of efficiency, namely the efficiency of governments, IFAD, the Fund's governing bodies, and IFAD-financed projects.

III. EVALUATION APPROACH, METHODOLOGY AND PROCESS

A. Evaluation approach

33. **Period of coverage.** The evaluation will focus particularly on the activities of IFAD since around 2000, the year in which the Governing Council approved the aforementioned Process Reengineering Programme.

34. **Key components of the evaluation.** There are six components that constitute the core building blocks of the evaluation and will contribute to the preparation of the main evaluation report:

- (i) Evaluation of IFAD's **operations efficiency** will focus on the corporate policies/strategies and business processes underlying the "new operating model" that IFAD has put into place, covering all aspects. The evaluation will review the broad structure of the Programme Management Department including the organization and management of its regional divisions; the country programme management architecture (e.g., allocation of portfolios to country programme managers and programme assistants, country presence arrangements, supervision approaches, etc.); elapsed times and costs for country strategy and project design and implementation, including loan negotiations; loan administration procedures and systems; quality enhancement and quality assurance functions; scaling up processes; mobilization and management of cofinancing; portfolio management (e.g., portfolio review process, management of projects at risk, etc.); partnerships; knowledge management including quality of analytic work; etc.¹⁶ The evaluation will examine the trends in efficiency to assess the impact of these changes, including benchmarking the efficiency across the five regional divisions in the Programme Management Department. Available benchmarks from other multilateral development banks would be used as reference information;
- (ii) Evaluation of **administrative efficiency** covering all corporate business processes other than operations, with a particular focus on functions that account for a significant proportion of administrative costs or have a significant bearing on the Fund's institutional efficiency. In particular, an assessment will be made of the Process Re-engineering Programme 2000-2005 including the Strategic Change Programme as well as the Action Plan that followed; the administrative budget preparation and allocation process; the use of the performance-based allocation system for allocation of resources for country programmes; management decision-making processes; information and communications technology systems; auditing and investigation systems; enterprise risk management; administration and financial management and controls,¹⁷ and how they affect efficiency. Administrative efficiency would, *inter-alia*, be assessed through the US\$ cost of each function as a proportion of total administrative costs and US\$ transferred to beneficiaries, in comparison with benchmarks or standard metrics. The evaluation would review related

¹⁶ IFAD's independent and self-evaluation functions will be excluded from this assessment, as they have been recently assessed in 2010 in a comprehensive manner in the context of the Peer Review of IFAD's Evaluation Function by the Evaluation Cooperation Group of the Multilateral Development Banks.

¹⁷ IFAD undertook an assessment of its Financial Services and Treasury operations (see report dated November 2010), which will be used as a basis for analysis by the evaluation team.

corporate policies and business processes and also examine opportunities for outsourcing and service-sharing as a means of increasing efficiency. It would also compare IFAD's ratio of total operations to total administrative costs with multilateral development banks' benchmarks;

- (iii) **Efficiency of IFAD governing bodies.** The evaluation will assess the overall value for money provided by IFAD governing bodies (i.e., the Governing Council, the Replenishment Consultation, Executive Board and its standing sub-committees and working groups, as well as the List Convenors and Friends mechanisms). In particular, it will entail reviewing the governing bodies' architecture, their terms of references, agenda and rules of procedures. Moreover, a particular focus will be on reviewing the organization and structure, management, and processes and systems within the Secretary's Office, as the main IFAD organizational unit responsible for servicing the governing bodies.
- (iv) **The efficiency of recipient government's institutions and processes.** An assessment will be made of those institutions, processes and systems in recipient partner countries that affect the efficiency of IFAD-supported operations, such as the flow of funds mechanisms, provision of counterpart funding, the deployment of staff for project management, internal approval processes for new projects funded by IFAD, the auditing of accounts, their inputs to loan negotiations, contracting and payments to service providers, and other processes that may affect IFAD-supported project efficiency.
- (v) The evaluation of **how IFAD builds, organizes and utilizes its human resources**, cuts across the concepts of operations efficiency and administrative efficiency. It could be addressed separately under previous items (i), (ii) and (iii). It is proposed, however, to evaluate this aspect in an integrated, cross-cutting manner. It will include an assessment of IFAD's organizational structure including the recent reconfigurations, leadership, human resources management and human resource policy, span of managerial oversight, mix of core and contingent staff, professional to general service staff ratio, performance management, and consultants management, and their impact on efficiency and the accountability/incentives of staff to pursue efficiency across all functions of IFAD; and
- (vi) Evaluation of IFAD's approach to fostering high **project efficiency** and to evaluating it. The evaluation will review a sample of project documents including independent and self evaluation reports, supplemented by interviews, to assess the attention paid to project efficiency at different stages in the project life cycle. In particular, the evaluation will: (i) review the questions and approaches for evaluating project efficiency in IFAD, learning also from comparable organizations; (ii) make an assessment of the understanding and attention by staff of project efficiency, including a look at how staff are taking into consideration IOE recommendations for improving the same; and (iii) determine the causes of good or less good project efficiency.

35. Due consideration should be given to possible trade-offs between efficiency and other evaluation criteria - such as relevance, effectiveness, impact and sustainability. That is, the evaluators will take into account IFAD's specialist mandate of working exclusively on smallholder agriculture in remote rural areas as well as its focus on innovations in discussing the efficiency of IFAD-supported operations in developing countries. Finding out whether efficiency as now measured is always connected to effectiveness and relevance or not and why should be a critical dimension of the analysis. This would involve classifying evaluation ratings to find out the extent of disconnect between efficiency and other performance factors.

B. Methodology and key evaluation questions

36. The evaluation will rely on a **mix of methods** to achieve its objectives. These include:
- Desk review of documents
 - Interviews with Evaluation Committee and Board members, and IFAD managers and staff
 - Focus group discussions with groups of managers and staff including country presence officials
 - The implementation of a ‘monkey survey’ to collect a variety of perspectives and information from partners in development member states, especially project staff and government officials
 - Visits to selected countries recipient of IFAD assistance and comparable organizations
37. The evaluation framework in appendix 2 outlines the evaluation by the proposed components and maps these with the key questions that the evaluation will address, as well as the activities that will be undertaken for collecting data and information to answer these questions.

C. Process

38. The evaluation will be divided into the following (largely) sequential phases:
- **Inception.** Under this phase, the aim would be, among other tasks, to develop further the overall evaluation approach and methodology, fine-tune the evaluation framework as required, develop the plan for interviews and focus group discussions, develop survey instruments and questionnaires, outline further the objectives and plans for visits to selected developing partner countries and comparator organizations, prepare the proposed outline of key evaluation deliverables, and contract the evaluation team. Building on this approach paper, an inception report will be prepared at the end of this phase. The inception report will be finalised following an in-house workshop with representatives of IFAD management and staff.
 - **Desk review phase.** This phase would cover the first part of the analysis under all six components of the evaluation outlined in paragraph 34. It will mainly entail a review of key documents as well as a self assessment by the IFAD management on the structure and composition of budgets for country programme management. The desk review will result in the production of a working paper(s), which will include the emerging hypothesis and areas that require validation and further investigation in the subsequent phases of the evaluation.
 - **Interviews and focus groups in Rome.** The analysis begun on a desk basis would then be supplemented by discussions – bi-lateral interviews and focus group discussions - at IFAD headquarters in Rome. In selected instances, IFAD country presence staff will also be interviewed by electronic means. Interviews will be conducted with all Evaluation Committee and selected Board members. A ‘monkey survey’ will also be implemented as a way to collect the perspectives and comments of multiple partners.
 - **Country visits.** Five country visits will be undertaken, one in each geographic region covered by IFAD operations. The countries will be selected in consultation with the Programme Management Department. The five selected countries should differ in terms of political, administrative, institutional and policy environment. Country visits will mainly serve to study the efficiency of government’s implementing institutions and processes and their implications on IFAD-supported project efficiency. Individual country working papers will be produced for each country covered in the evaluation.
 - **Visits to comparable organizations.** These would be sequenced after both the desk reviews and data/information gathering in Rome has been completed and some preliminary findings have been formulated. The comparable organizations will include the African Development Bank, European Bank for Reconstruction and Development, Food and Agriculture

Organization, Inter-American Development Bank and the World Bank.¹⁸ As mentioned earlier, the aim of visiting comparable organizations is to learn from their approaches and experiences to promoting institutional efficiency, and to identify good practices that may be pertinent to IFAD. A working paper will be specifically produced from this component of the evaluation.

- **Final report preparation.** The focus of this phase will be on preparation of the draft final report, building on the different components of the evaluation. Before preparing the draft final report, IOE will make power point presentations to the IFAD Management and staff as well as the Evaluation Committee on the emerging evaluation findings, with the aim of sharing early feedback and capturing their initial feedback. The full draft report will be shared with IFAD Management for comments. IOE will prepare an ‘audit trail’, which will clearly illustrate how Management’s comments have been addressed in the final report. Comments will be addressed in line with the provisions contained in the IFAD Evaluation Policy.¹⁹ IOE will be responsible for the overall evaluation process, for the contents of the final report, and for all other deliverables produced during the evaluation, as per the Evaluation Policy.

IV. CORE LEARNING PARTNERSHIP

39. The role of the core learning partnership (CLP) is to provide guidance to the evaluation process and review key evaluation deliverables. In particular, at the start of the evaluation, CLP members will review the draft approach paper and help flag issues and information sources for the evaluation. The CLP will review and discuss the draft final report and provide their comments and inputs to be considered in the preparation of the final independent evaluation report. The CLP will share all information and documentation from the evaluation with colleagues in their respective divisions and departments.

40. In light of the evaluation’s objectives, the CLP will include the following members:

- Associate Vice President, Programmes
- Chief Development Strategist
- Chief Financial Officer
- Head, Corporate Services Department
- Director, IFAD Office of Evaluation
- Secretary of IFAD
- Director Office of the President and Vice President
- Director, Human Resources Division
- All Regional Division Directors, PMD
- Director Policy and Technical Advisory Division, PMD
- Deputy Director, IFAD Office of Evaluation
- Senior Portfolio Manager, PMD
- High level experts on selected topics

¹⁸ In order to rationalize costs, the Asian Development Bank based in Manila will be excluded, even though the evaluators will study pertinent documents available through their website.

¹⁹ “IOE will decide which comments should be incorporated in the revised (final) report. As a general rule: (i) the draft report will be revised to incorporate comments that correct factual errors or inaccuracies; (ii) it may also incorporate, by means of a note in the report, judgments that differ from those of the evaluation team; and (iii) comments not incorporated in the final evaluation report can be provided separately and included as an appendix to the report”.

V. EVALUATION TEAM

41. Under the overall guidance of the Director, IOE, the designated lead evaluator for the efficiency evaluation will be Ashwani Muthoo, Deputy Director, IOE. He will be supported by Oanh Nguyen (Evaluation Research Analyst), Liesbeth Kellens (Associate Evaluation Officer) and Kendra White (Assistant to the Deputy Director) from IOE. Other senior evaluation officers and evaluation officers will contribute to the evaluation by being part of an internal peer review team within IOE, which will be responsible for commenting on the draft approach paper and draft final evaluation report.

42. The consultants' team will include expertise in human resources management; organization and management; governance; budget and financial matters; public sector management; and policy/strategy and operational processes. In addition, as and when needed, IOE will mobilize one or two high level advisers for a limited duration to provide inputs on critical issues at any point during the evaluation process.

VI. COMMUNICATION AND DISSEMINATION

43. The report will be distributed in electronic manner to members of the IFAD Management, staff and Executive Board members. The main report will be around 50 pages long, and hard copies will only be made available upon request. As per usual practice, an evaluation profile and an insight will be prepared based on the evaluation, to be distributed more widely both within and outside IFAD. Profiles/Insights are communication tools (two-page brochures) prepared by IOE for a wider audience.²⁰ All outputs will be also be made available to the public at large through the dedicated web page on the evaluation of efficiency, which will be created under the IOE section of the Fund's corporate website.

VII. EVALUATION ROAD MAP

44. The following is a provisional time frame for the evaluation, which will be elaborated during the inception phase of the evaluation:

²⁰ The profile will contain a succinct summary of the evaluation's findings and recommendations, whereas the Insight will focus on one learning theme emerging from the evaluation, with the aim of promoting debate among development practitioners, policy-makers and others on the topic.

Proposed Evaluation Road Map

<u>Date</u>	<u>Activities</u>
25 February 2011	Discussion in the Evaluation Committee of the Executive Board
March – April	Inception Phase: contracting of evaluation team, development of evaluation instruments and detailed timelines. Inception workshop and preparation of inception report
May – June	Desk review phase for all evaluation components
July-September	Interviews and focus group discussions
September	Visits to comparator organizations
September-October	Undertake country visits
October	Power point presentation (1) to the IFAD Management
November-December	Prepare draft final evaluation report
February 2012	Power point presentation (2) to the IFAD Management
February 2012	IOE internal peer review process
April 2012	Power point presentation to the Evaluation Committee
End April 2012	Send draft evaluation report to IFAD Management for comments
Mid-May – June 2012	Finalize report and prepare Agreement at Completion Point
July 2012	Discussion in Evaluation Committee of Executive Board
September 2012	Discuss final evaluation report, together with the Agreement at Completion Point, in the Executive Board.

Bibliography

List of IFAD Documents:

- (2003-10) Annual Reports on Results and Impact of IFAD Operations (ARRIs) since 2003
- (2005) Independent External Evaluation of IFAD
- (2005) Action Plan for Improving Development Effectiveness
- (2007-2009) Report on Development Effectiveness
- (2007-2009) Staff Surveys 2006 and 2008
- (2007) IFAD Strategic Framework 2007-2010
- (2010) IFAD Strategic Framework 2011-2015
- (2010) IFAD Medium-Term Plan 2010-2012
- (2007-2009) Progress Reports on the Action Plan (including the one entitled Vision, Action, Impact)
- (2007) Innovation Strategy
- (2007) Knowledge Management Strategy
- (2010) IFAD Report on Scaling Up
- (2010) Paper on Country Presence
- (2010) Annual Report on Quality Assurance
- (2010) An Overview of Managing for Development Results
- (2010) Update on Change and Reform Implementation
- (2010) 2011 Results-based Programme of Work and Budget

Other Documents:

- (2010) QuODA, Quality of Official Development Assistance Assessment, Brookings Center for Global Development
- (2010) Tools and Methods for Evaluating the Efficiency of Development Interventions, Institute for Development Strategy for BMZ (German Federal Ministry for Economic Cooperation and Development - (Draft Version)
- (2010) Multilateral Development Bank Practices in Public Sector Evaluations—for the ECG Working Group (Draft Version)
- (2010) MOPAN Common Approach, IFAD 2010
- (2010) COMPAS, Multilateral Development Banks' Common Performance Assessment System, 2008 Report

Evaluation Framework

Components	Key Questions	Key Activities
<p>1. Evaluation of operations efficiency</p>	<ul style="list-style-type: none"> • How does IFAD’s operations efficiency compare with other comparable organizations? Key performance indicators include: <ul style="list-style-type: none"> ○ Cost and time per country strategy and project preparation ○ Output/staff ○ Elapsed times: <ul style="list-style-type: none"> a. Inception to approval b. Approval to effectiveness c. Time overrun from original closing date ○ Costs related to non-performing loans • Is the organization structure of the Programme Management Department as a whole and the regional divisions appropriate for meeting their core objectives? • How does the prevailing country programme management architecture affect efficiency in delivery? • How efficient is the supervision and portfolio management process? • In what way does the current quality enhancement and quality assurance process affect efficiency? • Are processes for mobilizing and managing cofinancing adequate? • Are knowledge management systems well functioning to improve operations efficiency? • Does IFAD have adequate expertise, procedures and systems for loan administration to ensure efficiency and timeliness in processing of withdrawal applications? • Can scaling up contribute to better efficiency? • How do the underlying policies and processes and controls to manage risks and ensure compliance impact efficiency? • What are the trends in efficiency following recent changes to the operating model? 	<ul style="list-style-type: none"> • Review selected IFAD policies and guidelines as well as key country strategy and project documents • Interviews with IFAD Management and staff as well as Evaluation Committee and selected Board members • Multistakeholder ‘monkey survey’ • Review reports of and hold discussions with other organizations on efficiency issues

Evaluation Framework

Components	Key Questions	Key Activities
	<ul style="list-style-type: none"> • What lessons can be drawn from the experience of other organizations? 	
2. Evaluation of administrative efficiency	<ul style="list-style-type: none"> • What were the efficiency gains derived from the Process Re-engineering Programme, Strategic Change Programme, and the Action Plan? • How efficient are key corporate business processes, including: <ul style="list-style-type: none"> ○ Administrative budget preparation and allocation process ○ The efficiency of the performance-based allocation system as an instrument for resource allocation ○ Management decision-making processes (EMC, OMC, IMT, etc.) ○ Information and communications technology systems (PPMS, LGS, Travel System, Dashboard, Peoplesoft, etc.) ○ Administration and financial management and controls (e.g., procurement processes, travel authorizations and expense reports, etc.) • Are the auditing and investigation efficient? • How efficient is IFAD's enterprise risk management processes? • How does IFAD's administrative efficiency, for example, through the US\$ cost of each function as a proportion of total administrative costs and US\$ transferred to beneficiaries, compare with benchmarks or standard metrics? • How does IFAD's ratio of total operations to total administrative costs compare with multilateral development banks' benchmarks? • How has IFAD performed on the Board-set institutional efficiency target? 	<ul style="list-style-type: none"> • Desk review of the policies, strategies, frameworks, plans and other documents • Analysis of budget and expenditure (and related efficiency) trends for all functions • Multi-stakeholder 'monkey survey' • Gathering and analysis of efficiency data from other organizations (e.g., African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, Islamic Development Bank and World Bank)

Evaluation Framework

Components	Key Questions	Key Activities
	<ul style="list-style-type: none"> • Are there opportunities for outsourcing (e.g., personnel management, travel and financial services) and service-sharing (e.g., with other Rome-based agencies) as a means of increasing efficiency? • What have other organizations learned about what does and does not work? • What are good practices and lessons that IFAD could learn from? 	
3. The IFAD governing bodies	<ul style="list-style-type: none"> • How has the governing bodies architecture evolved over time? • Does IFAD have the right governing bodies architecture in today's context? • What are the consequences on IFAD's institutional efficiency, in light of the current functioning of the governing bodies? • Are there opportunities for improving the efficiency of the governing bodies? • Does the Secretary's Office have an adequate organization and management structure, leadership, systems and process, and resources to service the governing bodies efficiently? 	<ul style="list-style-type: none"> • Review the organization and structure of the various governing bodies, including their terms of reference, rules of procedures, agenda, minutes, etc. • Interview the IFAD Management and staff as well as representatives of member states • Interview the List Convenors and co-Convenors • Mine other similar evaluations of governance in other multilateral organizations • Review the governance structure in comparator organizations • Review the organization and management of the Secretary's Office
4. Efficiency of recipient government's institutions and processes	<ul style="list-style-type: none"> • Is the flow of funds mechanisms smooth in recipient countries? • How efficient are the processes for contracting and payment of services to partners involved in project execution? • Does government devote the necessary attention to monitoring the implementation of supervision, MTR and evaluation recommendations? • What are the effects of delays in counter part funds provision to project efficiency? • What is the procedure for assigning staff for project management and does this affect project efficiency? 	<ul style="list-style-type: none"> • Undertake five country visits • Hold discussions with government officials, other partners and project staff • Visit one IFAD-funded project • Review government institutional capacities, systems and processes

Evaluation Framework

Components	Key Questions	Key Activities
<p>5. Assessment of the organizational structure, and human resources policy and human resources management</p>	<ul style="list-style-type: none"> • Does government have adequate institutional capacities for auditing of project finances? • Does IFAD have an appropriate organizational structure? • What is the impact of the organizational reconfiguration on efficiency and are there other areas that may merit reconfiguration? • Does IFAD have a state of the art human resources policy and human resources procedures manual? • How does IFAD staffing align with or depart from the formal Strategic Workforce Plan? How significant are variances, if any, and what skills/expertise gaps do they reveal? • What is the embedded workforce flexibility? How nimbly can IFAD alter its staffing mix in response to strategic program shifts—and at what cost? • How efficient is IFAD’s internal staff deployment system in matching work program priorities with the right staff? • How do key staff-related organizational measures compare with other organizations? <ul style="list-style-type: none"> ○ Size, composition and organization of organizational units ○ Ratio between professional and general service staff ○ Leadership ○ Managerial oversight ○ Incentives and accountability architecture • What is the contribution to efficiency of key human resources processes: <ul style="list-style-type: none"> ○ Staff performance management ○ Consultants management ○ Training and development ○ Management and leadership 	<ul style="list-style-type: none"> • Review organizational structure, Strategic Workforce Plan, and Human Resources Change Agenda and plans for the future • Review and analysis of staffing and underlying demographics in terms of age, sex, service, level, functional specificity, employment status • Review of selected human resources policies and practices: <ul style="list-style-type: none"> ○ Employment policies and categories ○ Recruitment/separation processes ○ Internal labour market systems ○ Performance management ○ Career management processes ○ Training and development ○ Management selection and development, and managerial talent identification • Review of organizational and staffing policies, guidelines and practices • Interviews with IFAD Management and staff as well as Evaluation Committee and selected Board members • Multi-stakeholder ‘monkey survey’

Evaluation Framework

Components	Key Questions	Key Activities
<p>6. Understanding of project efficiency, the approaches and techniques used, and staff capabilities.</p>	<ul style="list-style-type: none"> • How relevant/current is IFAD's approach to assessing project efficiency? • Are the techniques and questions used the most appropriate? • How up-to-date is the guidance provided to staff? • How well is the criteria/guidance applied? • What are the causes for good or less good efficiency? • What can the IFAD approach learn from the experience of others? 	<ul style="list-style-type: none"> • Review the Evaluation Manual and self-evaluation system with regard to the project efficiency criteria. • Review selected independent and self-evaluation reports • Interviews with IFAD Management and staff as well as Evaluation Committee and selected Board members • Multi-stakeholder 'monkey survey' • Benchmarking against and learning from evaluation offices of comparator organizations • Selected country visits to speak to government authorities, other partners and project authorities